

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Sagola	County Dickinson
Fiscal Year End 03/31/06	Opinion Date 05/19/06	Date Audit Report Submitted to State 08/18/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) DS Rostagno CPA P.C.		Telephone Number 906-265-1040	
Street Address 101 West Maple Street		City Iron River	State MI
		Zip 49935	
Authorizing CPA Signature	Printed Name Dianne S. Rostagno, CPA		License Number A245771

**TOWNSHIP OF SAGOLA**

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**Financial Report  
With Supplemental Information  
Prepared in Accordance with GASB 34**

**MARCH 31, 2006**

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## **INDEPENDENT AUDITOR'S REPORT**

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Board of Trustees  
**Township of Sagola**  
Channing, Michigan 49815

## **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the **Township of Sagola**, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

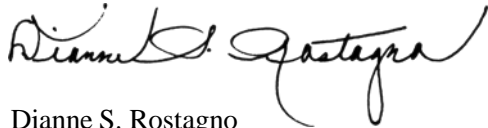
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Township of Sagola** at March 31, 2006, and the respective changes in financial position and cash flows thereof for the year ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006 on our consideration of the **Township of Sagola's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

The management's discussion and analysis on pages 8 through 19 and the budgetary comparison information are not required parts of the basic financial statements but are supplemental information required by the *Governmental Accounting Standards Board* and by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of the inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Township of Sagola's** basic financial statements. The combining and individual fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno", with a stylized flourish at the end.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 19, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



# **SAGOLA TOWNSHIP**

**BOX 195**

**CHANNING, MI 49815**

The management of the **Township of Sagola** provides this narrative overview and analysis of the financial activities of the **Township of Sagola** for the fiscal year ended March 31, 2006. As readers, you are encouraged to read this discussion and analysis in conjunction with the Township's financial statement information included in this report.

## ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The financial section of this report includes management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## ***Government-wide financial statements***

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are mainly supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, road repair, sanitation, culture and recreation. The business-type activity of the Township is the Sewer Utility service.

# SAGOLA TOWNSHIP

BOX 195

CHANNING, MI 49815

## *Fund Financial Statements*

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: **governmental funds, proprietary funds, and fiduciary funds.**

## *Governmental Funds*

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains five governmental funds. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general, fire, and road repair funds, all of which are considered major funds. The Liquor Law Enforcement Fund and the Recreation Fund are both non-major governmental funds. Individual fund data for each fund is presented separately in the "Other Supplementary Information" section of this report.

The Township adopts an annual budget for its general and other governmental funds. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general and other major governmental funds, and is included in the "Required Supplementary Information" section of this document.

**SAGOLA TOWNSHIP**  
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***Proprietary Funds***

Proprietary Funds provide services for which the Township charges customers a fee. The Township has only one type of proprietary fund - an enterprise fund. The enterprise fund of the Township is used to report the same functions as the business-type activities in the government-wide financial statements. The Sewer Utility Fund is presented separately in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

***Notes to the Financial Statements***

Notes to the financial statements are included in the basic financial statements, and provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements.

***Supplementary Information***

Required supplementary information follows the basic financial statements, and includes budgetary comparison schedules for the General Fund and the Township's major special revenue funds as presented in the governmental fund financial statements.

A separate financial statement for the Township's non-major governmental funds is also included in the Other Supplementary Information section of this document.

**SAGOLA TOWNSHIP**  
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***Government-wide Financial Analysis***

In time, net assets of a governmental entity may serve as a useful indicator of the government's financial position. In the case of the Township, assets exceeded liabilities by \$ 2,031,171 at March 31.

By far, the largest portion of the Township's net assets is its investment in capital assets (land, buildings, machinery, and equipment), less any outstanding debt related to acquiring the asset. These capital assets are used to provide services to citizens and are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At March 31, 2006 the Township reported \$1,303,917 in net assets invested in capital assets net of related debt.

External restrictions of the Township's net assets represent resources subject to existing external obligations or programmatic control on future use. The remaining balance of unrestricted net assets of \$513,624 may be used to meet the Township's ongoing obligations to citizens and creditors.

Total assets in excess of liabilities at March 31 for the governmental activities and business-type activities were \$1,002,588 and \$ 1,028,583, respectively.

**Summary of Net Assets**

The following summarizes the comparative net assets at fiscal years ended March 31, 2006 and March 31, 2005:

	<b>March 31, 2006</b>		
	<b>Primary Government</b>		
	<b><u>Governmental</u></b>	<b><u>Business-type</u></b>	<b><u>Total</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	
<b>Assets</b>			
Current and other assets	\$635,336	\$103,083	\$738,419
Capital assets, net	<u>375,113</u>	<u>928,804</u>	<u>1,303,917</u>
<b>Total Assests</b>	<b>\$1,010,449</b>	<b>\$1,031,887</b>	<b>\$2,042,336</b>

**SAGOLA TOWNSHIP**  
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**CHANNING, MI 49815**

March 31, 2006			
Primary Government			
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Long-term liabilities	\$0	\$0	<b>\$0</b>
Other liabilities	<u>7,861</u>	<u>3,304</u>	<u>11,165</u>
<b>Total Liabilities</b>	<b>7,861</b>	<b>3,304</b>	<b>11165</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	375,113	928,804	1,303,917
Reserved	113,851	99,779	213,630
Unreserved, undesignated	<u>513,624</u>	<u>0</u>	<u>513,624</u>
<b>Total Net Assets</b>	<b>\$1,002,588</b>	<b>\$1,028,583</b>	<b>\$2,031,171</b>

March 31, 2005			
Primary Government			
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current and other assets	\$556,243	\$86,860	\$643,103
Capital assets, net	<u>404,532</u>	<u>973,023</u>	<u>1,377,555</u>
<b>Total Assests</b>	<b>960,775</b>	<b>1,059,883</b>	<b>2,020,658</b>
<b>Liabilities</b>			
Long-term liabilities	0	0	0
Other liabilities	<u>6,227</u>	<u>9,809</u>	<u>16,036</u>
<b>Total Liabilities</b>	<b>6,227</b>	<b>9,809</b>	<b>16,036</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	404,532	973,023	1,377,555
Reserved	53,892	77,051	130,943
Unreserved, undesignated	<u>496,124</u>	<u>0</u>	<u>496,124</u>
<b>Total Net Assets</b>	<b>\$954,548</b>	<b>\$1,050,074</b>	<b>\$2,004,622</b>

**SAGOLA TOWNSHIP**  
**BOX 195**  
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***Government-wide Financial Analysis (Continued)***

For governmental activities, net assets increased by \$48,040 during the fiscal year ended March 31, 2006. For business-type activities, net assets decreased by \$21,491 during the same period.

**RESULTS OF OPERATIONS**

Comparative results of operations for fiscal years ended March 31, 2006 and March 31, 2005 are as follows:

	<b>March 31, 2006</b>		
	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b><u>REVENUES</u></b>			
<b><i>Program Revenues</i></b>	\$28,276		\$28,276
Charges for services	0	40,668	40,668
<b><i>General Revenues</i></b>			
Property taxes	110,345		110,345
Other taxes	79,421		79,421
Unrestricted grants	79,629		79,629
Operating grants/contributions	1,911		1,911
Other	<u>10,084</u>	<u>887</u>	<u>10,971</u>
<b>TOTAL REVENUE</b>	<b>\$309,666</b>	<b>\$41,555</b>	<b>\$351,221</b>
<b><u>EXPENSES</u></b>			
General government	55,672		55,672
Legislative	44,126		44,126
Township property	41,971		41,971
Public safety	21,766		21,766
Public works	0		0
Cemetery	3,345		3,345
Sanitation and health	40,267		40,267
Culture and recreation	22,934		22,934
Depreciation	<u>31,545</u>	<u>0</u>	<u>31,545</u>
<b>Total governmental expenses</b>	<b>\$261,626</b>	<b>\$0</b>	<b>\$261,626</b>
<b>Business-type activities</b>			
Sewer	<u>0</u>	<u>63,046</u>	<u>63,046</u>
<b>Total business-type activities</b>	<b>0</b>	<b>63,046</b>	<b>63,046</b>
<b>TOTAL EXPENSES</b>	<b>\$261,626</b>	<b>\$63,046</b>	<b>\$324,672</b>

**SAGOLA TOWNSHIP**  
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Increase (Decrease) in net assets before transfers	\$48,040	\$(21,491)	\$26,549
Transfers - net	0	0	0
Increase (Decrease) in net assets	48,040	(21,491)	26,549
Net Assets – Beginning of year	954,548	1,050,074	2,004,622
<b>Net Assets – End of Year</b>	<b>\$1,002,588</b>	<b>\$1,028,583</b>	<b>\$2,031,171</b>

**March 31, 2005**

**Primary Government**

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
<b><u>REVENUES</u></b>			
<b><i>Program Revenues</i></b>			
Charges for services	\$31,457	\$41,357	\$72,814
<b><i>General Revenues</i></b>			
Property taxes	55,871		55,871
Other taxes	122,573		122,573
Unrestricted grants	79,357		79,357
Operating grants/contributions	6,716		6,716
Other	<u>11,142</u>	<u>917</u>	<u>12,059</u>
<b>TOTAL REVENUE</b>	<b>\$307,116</b>	<b>\$42,274</b>	<b>\$349,390</b>
<b><u>EXPENSES</u></b>			
General government	54,545		54,545
Legislative	37,295		37,295
Township property	43,737		43,737
Public safety	18,905		18,905
Public works	96,883		96,883
Cemetery	5,690		5,690
Sanitation and health	35,198		35,198
Culture and recreation	25,736		25,736
Depreciation	<u>22,721</u>	<u>0</u>	<u>22,721</u>
<b>Total governmental expenses</b>	<b>340,710</b>	<b>0</b>	<b>340,710</b>
<b>Business-type activities</b>			
Sewer	<u>0</u>	<u>70,542</u>	<u>70,542</u>
<b>Total business-type activities</b>	<b>0</b>	<b>70,542</b>	<b>70,542</b>
<b>TOTAL EXPENSES</b>	<b>\$340,710</b>	<b>\$70,542</b>	<b>\$411,252</b>

**SAGOLA TOWNSHIP**  
**BOX 195**  
**CHANNING, MI 49815**

***Government-wide Financial Analysis (Continued)***

**RESULTS OF OPERATIONS (Continued)**

Increase (Decrease) in net assets before transfers	\$(33,594)	\$(28,268)	\$(61,862)
Transfers - net	0	0	0
Increase (Decrease) in net assets	(33,594)	(28,268)	(61,862)
Net Assets – Beginning of year	882,041	1,078,342	1,960,383
Cumulative effect of change in application of accounting principle	106,101	0	106,101
<b>Net Assets – End of Year</b>	<b>\$954,548</b>	<b>\$1,050,074</b>	<b>\$2,004,622</b>

***Governmental Activities***

Property taxes and other tax revenues comprise \$189,766 or approximately 61 percent of total governmental revenues for fiscal ended March 31, 2006.

The Township also collected \$21,692 for garbage collection services. And, at fiscal year ended March 31, 2006, the Township reported \$79,629 in grants and contributions not restricted for specific programs. This amount was due entirely to the State of Michigan's state sales tax distribution.

The Township expended \$261,626 on governmental programs and services during the 2005-06 fiscal year. Some of the largest expense categories were for general government, accounting for \$55,672 or 21 percent of total governmental expenditures; \$44,126, or 17 percent of the total expenditures were used for legislative activities, and \$41,971, or 16 percent of total governmental expenditures were used to maintain Township property.

***Business-type Activities***

Business-type activities decreased the Township's net assets during 2005-06 by \$21,491. Charges for services for the sewer activities for the year ended were \$40,668. Total expenses for the sewer activities for the year ended were \$63,046.



**SAGOLA TOWNSHIP**  
**BOX 195**  
**CHANNING, MI 49815**

***Financial Analysis of the Governmental Funds***

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

***Governmental Funds***

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Township's governmental funds reported combined ending fund balances of \$ 627,475, of which \$100,394 is reserved and the remaining \$527,081 is available for spending at the government's discretion.

The Township's primary governmental fund is its general fund. There are no reservations in the general fund's fund balance.

On the budgetary basis of accounting, the Township ended the fiscal year with revenues greater than the original and final budgetary projections. Total expenditures were also less than both the original and final projections. At fiscal year-end, the fund balance was higher than either the original or the final amended budget projections.

**Expenditures – Budget vs Actual for the Fiscal Year Ended March 31, 2006:**

	<b>Expenditures Original Budget</b>	<b>Expenditures Final Budget</b>	<b>Expenditures Final Actual</b>	<b>Expenditures Variance Actual vs Original Budget</b>	<b>Expenditures Variance Actual vs Final Budget</b>
General Fund	\$276,862	\$266,061	\$185,381	\$91,481	\$80,680
Fire Fund	30,460	31,356	22,339	8,121	9,017
Road Fund	40,000	40,000	0	40,000	40,000

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**BOX 195**  
**CHANNING, MI 49815**

***Governmental Funds (Continued)***

**Revenues – Budget vs Actual for the Fiscal Year Ended March 31, 2006:**

	<b>Revenues Original Budget</b>	<b>Revenues Final Budget</b>	<b>Revenues Final Actual</b>	<b>Revenues Variance Actual vs Original Budget</b>	<b>Revenues Variance Actual vs Final Budget</b>
General Fund	\$192,304	\$190,606	\$235,338	\$43,034	\$44,732
Fire Fund	33,254	39,254	48,204	14,950	8,950
Road Fund	7,200	7,200	105	(7,095)	(7,095)

General fund financial and budgetary highlights of the fiscal year include:

- \* Property taxes, administration fees, and other taxes exceeded budgetary projections by \$24,377.
- \* State sales tax distributions were up from the original and final amended budgeted amounts, coming in at \$79,629, which exceeds by \$9,629 the budgeted estimates of \$70,000.
- \* Fees for garbage collection were \$21,692, exceeding by \$6,692 the budget estimates of \$15,000.
- \* Expenditures in total for the general fund were \$185,381, less than the final amended budget by \$80,680. This was due to the fact that expenditures for most activities were considerably less than the amounts appropriated for these purposes.

Special revenue funds financial and budgetary highlights of the fiscal year include:

- \* In the Fire Fund, general property taxes were somewhat higher than anticipated, while spending for public safety and capital outlay was slightly less than budgeted.
- \* There were no repair costs incurred during the year, although \$40,000 was budgeted for this purpose. This surplus will be available for future use.

**SAGOLA TOWNSHIP**  
**BOX 195**  
**CHANNING, MI 49815**

***Proprietary Funds***

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Total net assets of the Sewer Fund at year-end were \$1,028,583. The change in net assets was a loss of \$21,491. Other factors concerning the finances of these funds have already been addressed in the discussion of the Township's business-type activities.

**Capital Assets and Debt Administration**

***Capital Assets***

The Township's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of March 31 was \$1,303,917. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, and licensed vehicles.

Infrastructure assets represent \$1,737,508 or approximately 67 percent of the estimated original cost of total assets. All infrastructure is accounted for in the Sewer Fund. There is no infrastructure attributed to the General Fund.

There were no major capital events during the current fiscal year.

***Long-term debt***

As of March 31, the Township (including the enterprise funds) had no debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. Since the Township has no bonded debt, this is not a concern to the Township.

**Other Economic Factors and Next Year's Budget**

***Economic Factors***

Despite the uncertain economic conditions faced by local governments, the Township will continue to strive to provide good social and cultural conditions that support healthy families, and maintain a safe and clean community in which to live.

**SAGOLA TOWNSHIP**  
**BOX 195**  
**CHANNING, MI 49815**

**Other Economic Factors and Next Year's Budget (Continued)**

***Economic Factors (Continued)***

There are no significant plans or major priorities for the Township for the 2006-2007 fiscal year, nor are there any significant tax rate or fee changes being implemented.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor  
Sagola Township  
Channing, Michigan 49815

## **BASIC FINANCIAL STATEMENTS**

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF NET ASSETS**

*MARCH 31, 2006*

	Primary Government		
	Governmental Activities	Business-type Activities	Totals Reporting Entity
<b><u>ASSETS</u></b>			
<b><u>Current Assets</u></b>			
Cash and Cash Equivalents (Note C )	\$ 271,606	\$ 22,060	\$ 293,666
Receivables			
Taxes	9,535		9,535
Accounts Receivable	170	6,620	6,790
Due from Other Governmental Units	-	-	-
Due from External Parties	123,245	2,951	126,196
Internal Balances	(4,741)	4,741	-
Inventories	2,008		2,008
Prepaid Expenses			-
<b>Total Current Assets</b>	<b>401,823</b>	<b>36,372</b>	<b>438,195</b>
<b><u>Noncurrent Assets</u></b>			
Restricted Cash	233,513	66,711	300,224
Capital Assets, Net (Note H )	375,113	928,804	1,303,917
<b>Total Noncurrent Assets</b>	<b>608,626</b>	<b>995,515</b>	<b>1,604,141</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,010,449</b>	<b>\$ 1,031,887</b>	<b>\$ 2,042,336</b>
<b><u>LIABILITIES</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	-		-
Deferred Revenue	7,861	3,304	11,165
Internal balances			
Bonds/Notes Payable, Current Portion	-		-
Compensated Absences, Current Portion	-		-
<b>Total Current Liabilities</b>	<b>7,861</b>	<b>3,304</b>	<b>11,165</b>
<b><u>Noncurrent Liabilities</u></b>			
Bonds/Notes Payable (Note I)	-	-	-
Compensated Absences Payable	-	-	-
Long-Term Employee Benefits Payable	-	-	-
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 7,861</b>	<b>\$ 3,304</b>	<b>\$ 11,165</b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF NET ASSETS  
(CONTINUED)**

*MARCH 31, 2006*

	<b>Primary Government</b>		<b>Totals Reporting Entity</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt	\$ 375,113	\$ 928,804	\$ 1,303,917
Reserved for Fire Protection	72,776		72,776
Reserved for Recreation	5,683		5,683
Reserved for Road Repair	27,293		27,293
Reserved for Liquor Law Enforcement	8,099		8,099
Reserved for Sewer Repairs/Improvements		99,779	99,779
Unreserved, Undesignated	513,624		513,624
			-
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,002,588</u></b>	<b><u>\$ 1,028,583</u></b>	<b><u>\$ 2,031,171</u></b>

The notes to the financial statements are integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

## STATEMENT OF ACTIVITIES

*YEAR ENDED MARCH 31, 2006*

Functions/Programs	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants</u>
Primary Government -				
General government	\$ 55,672	\$ 5,834	\$ -	\$ -
Legislative	44,126			
Township property	41,971	100		
Public safety	21,766	200	1,911	
Public works	-			
Cemetery	3,345	450		
Sanitation and health	40,267	21,692		
Culture and recreation	22,934			
Depreciation (Unallocated)	31,545			
<b>Total Governmental Activities</b>	<b>261,626</b>	<b>28,276</b>	<b>1,911</b>	<b>-</b>
<b><u>Business-type Activities</u></b>				
Sewer Utility	63,046	40,668		
<b>Total Business-type Activities</b>	<b>63,046</b>	<b>40,668</b>		
<b>General Revenues:</b>				
Taxes:				
Property taxes				
Other taxes and fees				
State Sales Tax Distribution				
Sale of Property				
Interest and Investment Earnings				
Other				
<b>Total General Revenues</b>				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				



<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF ACTIVITIES**

*YEAR ENDED MARCH 31, 2006*

***Net (Expense) Revenue and Changes  
in Net Assets***

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (49,838)		\$ (49,838)
(44,126)		(44,126)
(41,871)		(41,871)
(19,655)		(19,655)
-		-
(2,895)		(2,895)
(18,575)		(18,575)
(22,934)		(22,934)
<u>(31,545)</u>		<u>(31,545)</u>
<b>(231,439)</b>		<b>(231,439)</b>
	<u>(22,378)</u>	<u>(22,378)</u>
	<b>(22,378)</b>	<b>(22,378)</b>
110,345		110,345
79,421		79,421
79,629		79,629
6,976	887	7,863
<u>3,108</u>		<u>3,108</u>
<b><u>279,479</u></b>	<b><u>887</u></b>	<b><u>280,366</u></b>
<b>48,040</b>	<b>(21,491)</b>	<b>26,549</b>
<b>954,548</b>	<b>1,050,074</b>	<b>2,004,622</b>
<b><u>\$ 1,002,588</u></b>	<b><u>\$ 1,028,583</u></b>	<b><u>\$ 2,031,171</u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BALANCE SHEET - GOVERNMENTAL FUNDS**

*MARCH 31, 2006*

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Road Fund</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note C )			
Unrestricted	\$ 199,492	\$ 26,478	\$ 35,154
Restricted	233,513		
Receivables:			
Taxes	5,159	3,476	
Accounts Receivable	170		
Due from Other Funds	93,779	42,822	
Inventories	2,008		
<b>TOTAL ASSETS</b>	<b><u>\$ 534,121</u></b>	<b><u>\$ 72,776</u></b>	<b><u>\$ 35,154</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Deferred Revenue	-	-	7,861
Due to Other Funds	7,040	15,211	-
<b>TOTAL LIABILITIES</b>	<b>7,040</b>	<b>15,211</b>	<b>7,861</b>
<b><u>FUND BALANCES</u></b>			
Reserved for Fire Protection		57,565	
Reserved for Recreation			
Reserved for Road Repair			27,293
Reserved for Liquor Law Enforcement			
Unreserved and undesignated	527,081		
<b>TOTAL FUND BALANCES</b>	<b>527,081</b>	<b>57,565</b>	<b>27,293</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 534,121</u></b>	<b><u>\$ 72,776</u></b>	<b><u>\$ 35,154</u></b>

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BALANCE SHEET - GOVERNMENTAL FUNDS**

*MARCH 31, 2006*

<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 10,482	\$ 271,606
	233,513
	-
900	9,535
	170
4,200	140,801
	2,008
<b>\$ 15,582</b>	<b>\$ 657,633</b>
-	7,861
46	22,297
<b>46</b>	<b>30,158</b>
	57,565
7,483	7,483
	27,293
8,053	8,053
	527,081
<b>15,536</b>	<b>627,475</b>
<b>\$ 15,582</b>	<b>\$ 657,633</b>

The notes to the financial statements are an integral part of this return.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**

*MARCH 31, 2006*

<b>Fund Balances - Total Governmental Funds</b>	<b>\$ 627,475</b>
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Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities  
are not financial resources and are not  
reported in the funds.

The cost of capital assets is:	856,204
Accumulated depreciation is:	(481,091)

Long term liabilities are not due and payable  
in the current period and are not reported  
in the funds:

Bonds Payable	-
Compensated Absences	-

Other long term assets not available to pay  
current period expenditures therefore  
deferred in the funds

-

**Total Net Assets - Governmental Activities**

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**\$ 1,002,588**

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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES**

*YEAR ENDED MARCH 31, 2006*

	<u><b>General Fund</b></u>	<u><b>Fire Fund</b></u>
<b><u>Revenue</u></b>		
General Property taxes	\$ 62,364	\$ 47,981
Other local taxes	37,592	
Fees/penalties/interest on taxes	17,829	
Licenses, permits, and fines	1,307	
Sale of property	-	
Use of money and property	8,040	23
Charges for services	26,219	200
Miscellaneous	1,908	
Cemetery	450	
Intergovernmental	79,629	
	<hr/>	<hr/>
<b>Total Revenue</b>	<b>\$ 235,338</b>	<b>\$ 48,204</b>
<b><u>Expenditures</u></b>		
Current Operating:		
General government	55,672	
Legislative	44,126	
Township property	41,971	
Public safety		20,213
Public works		
Cemetery	3,345	
Sanitation and health	40,267	
Culture and recreation		
Community development		
Capital Outlay	-	2,126
Intergovernmental Payments		
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 185,381</b>	<b>\$ 22,339</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>49,957</b>	<b>25,865</b>
<b><u>Other Financing Sources (Uses)</u></b>		
Operating transfers in	-	-
Operating transfers (out)	(19,000)	-
	<hr/>	<hr/>
Total Other Financing Sources(Uses)	(19,000)	-
<b>Net Change in Fund Balances</b>	<b>30,957</b>	<b>25,865</b>
<b>Fund Balances - Beginning of Year</b>	<b>496,124</b>	<b>31,700</b>
	<hr/>	<hr/>
<b>Fund Balances - End of Year</b>	<b>\$ 527,081</b>	<b>\$ 57,565</b>
	<hr/>	<hr/>

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**GOVERNMENTAL FUNDS - STATEMENT OF REVENUE, EXPENDITURES, AND  
CHANGES IN FUND BALANCES**

*MARCH 31, 2006*

<u>Road Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 24,000	\$ 134,345
		37,592
		17,829
		1,307
		-
105	108	8,276
		26,419
		1,908
		450
	1,911	81,540
<u>\$ 105</u>	<u>\$ 26,019</u>	<u>\$ 309,666</u>
		55,672
		44,126
		41,971
	1,553	21,766
-		-
		3,345
		40,267
	22,934	22,934
		-
		2,126
		-
<u>\$ -</u>	<u>\$ 24,487</u>	<u>\$ 232,207</u>
105	1,532	77,459
15,000	4,000	19,000
		<u>(19,000)</u>
15,000	4,000	-
15,105	5,532	77,459
12,188	10,004	550,016
<u>\$ 27,293</u>	<u>\$ 15,536</u>	<u>\$ 627,475</u>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**GOVERNMENTAL FUNDS**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*YEAR ENDED MARCH 31, 2006*

**Net Change in Fund Balances - Total Governmental Funds** **\$ 77,459**

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures; in  
the statement of activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation Expense	(31,545)
Capital Outlay	<u>2,126</u>

Total	(29,419)
-------	----------

Revenue reported in the statement of activities that does not provide  
current financial resources and are not reported as revenue  
in the governmental funds

-

Accrued interest is recorded in the statement of activities when  
incurred; it is not reported in governmental funds until paid

-

Repayment of bond principal is an expenditure in the governmental  
funds, but not in the statement of activities (where it reduces  
long term debt)

-

Increases Decreases in compensated absences are reported as  
expenditures when financial resources are used in the governmental  
funds in accordance with GASB Interpretation No. 6

-

Eliminate interfund transfers to non-governmental funds

-

**Change in Net Assets of Governmental Activities** **\$ 48,040**

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF FUND NET ASSETS – ENTERPRISE FUNDS**

*MARCH 31, 2006*

<b><u>ASSETS</u></b>	<b><u>Sewer Fund</u></b>
<b><i>Current Assets</i></b>	
Cash, unrestricted	\$ 22,060
Accounts Receivable, net	6,620
Due from External Parties	2,951
Internal Balances	4,741
	<hr/>
<b>Total Current Assets</b>	<b>36,372</b>
 <b><i>Noncurrent Assets</i></b>	
Restricted cash	66,711
 Capital assets:	
Equipment	14,529
Infrastructure	1,737,508
Less:	
Allowance for depreciation	(823,233)
	<hr/>
Total capital assets, net	928,804
	<hr/>
<b>Total Noncurrent Assets</b>	<b>995,515</b>
 <b>TOTAL ASSETS</b>	 <b>\$ 1,031,887</b>
 <b><u>LIABILITIES</u></b>	
<b><i>Current Liabilities</i></b>	
Internal Balances	-
Deferred revenue	3,304
Accounts Payable	-
	<hr/>
<b>TOTAL LIABILITIES</b>	<b>3,304</b>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	928,804
Restricted for sewer maintenance and repair	99,779
	<hr/>
<b>TOTAL NET ASSETS</b>	<b><u><u>\$ 1,028,583</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
ENTERPRISE FUND**

*MARCH 31, 2006*

**OPERATING REVENUES**

Charges for Services	\$ 40,668
----------------------	-----------

<b>TOTAL OPERATING REVENUES</b>	<b>40,668</b>
---------------------------------	---------------

**OPERATING EXPENSES**

Salaries	9,110
Fringe Benefits	697
Contract Services	3,651
Supplies	-
Utilities	3,438
Repairs & Maintenance	643
Miscellaneous	80
Depreciation	45,427

<b>TOTAL OPERATING EXPENSES</b>	<b>63,046</b>
---------------------------------	---------------

Operating Profit (Loss)	(22,378)
-------------------------	----------

**NON-OPERATING REVENUES (EXPENSES)**

Interest Revenue	887
Interest Expense	-

<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>887</b>
--	------------

Net Income (Loss)	(21,491)
-------------------	----------

<b>RETAINED EARNINGS, APRIL 1</b>	<b>1,050,074</b>
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<b>RETAINED EARNINGS, MARCH 31</b>	<b><u>\$ 1,028,583</u></b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND**

*FISCAL YEAR ENDED MARCH 31, 2006*

**CASH FLOWS FROM (USED BY)**

**OPERATING ACTIVITIES**

Net cash received from fees and services	\$ 40,652
Other operating revenues	-
Cash payments to employees for services	(9,807)
Cash payments to goods and services	(13,856)
Other operating expenses	-
	-

<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>16,989</b>
---	---------------

**NON CAPITAL AND FINANCING ACTIVITIES**

Increase (decrease) in due to other funds	-
(Increase) decrease in due from other funds	(2,951)
Net operating transfers in (out)	-
	-

<b>NET CASH FROM NON CAPITAL AND FINANCING ACTIVITIES</b>	<b>(2,951)</b>
---	----------------

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(1,208)
Principal payment on long-term bonds	-
Interest paid on long-term bonds	-
Interest and tax expense	-
Proceeds from borrowings	-
Contributed capital grants	-
	-

<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,208)</b>
--	----------------

**INVESTING ACTIVITIES**

Interest Income	887
	887

<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>887</b>
---	------------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,717
--	--------

Cash and Cash Equivalents, Beginning of Year	75,054
	75,054

<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 88,771</b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
(CONTINUED)**

*FISCAL YEAR ENDED MARCH 31, 2006*

**CASH FLOWS FROM OPERATING  
ACTIVITIES**

---

Operating Income (Loss)	\$ (22,378)
Adjustment to reconcile operating income to net cash provided by operating activities:	
. Depreciation	45,427
. Provision for uncollectible accounts	-
. Changes in assets and liabilities :	
(Increase) Decrease in accounts receivable	445
Increase (Decrease) in accounts payable	(6,044)
Increase (Decrease) in deferred revenue	(461)
Increase (Decrease) in customer deposits	-
	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b><u><u>\$ 16,989</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**FIDUCIARY FUND**

**STATEMENT OF FIDUCIARY NET ASSETS**

*MARCH 31, 2006*

	<b>Agency Fund</b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	<u>\$ 233,954</u>
<b>TOTAL ASSETS</b>	<b>233,954</b>
<b><u>LIABILITIES</u></b>	
Due to Other Funds	126,196
Due to Other Governmental Units	<u>107,758</u>
<b>TOTAL LIABILITIES</b>	<b>233,954</b>
<b>NET ASSETS</b>	<b><u>\$ -</u></b>

The notes to the financial statements are an integral part of this report.

## **NOTES TO THE FINANCIAL STATEMENTS**

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting methods and procedures adopted by the **Township of Sagola**, Channing, Michigan, conform to generally accepted accounting policies as applicable to governmental entities. The following is a summary of the more significant policies:

**THE FINANCIAL REPORTING ENTITY**

The **Township of Sagola** covers an area of approximately 162 square miles. The Township operates under an elected Council (5 members) and provides services to more than 1166 residents in many areas including fire protection, street development and maintenance, and sewer services. In accordance with the provisions of GASB 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes. The criteria established by GASB 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include separation of electing governing body and legal status, and fiscal independence.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**THE FINANCIAL REPORTING ENTITY(Continued)**

On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

**BLENDED COMPONENT UNITS**

A blended component unit is a legally separate entity from the local unit, but it is so intertwined with the unit that it is, in substance, the same as the local governmental unit.

A basic strategy of GASB 14 is to present financial information for component units separately from the financial information for the primary government. This is achieved through the discrete presentation method. However, in the case of blended component units, GASB believes that it would be more appropriate to use the blending method to incorporate the financial information of a component unit into the reporting entity's financial statements.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BLENDED COMPONENT UNITS (Continued)**

When the blending method is used, transactions and balances of a component unit are merged with similar transactions and balances of the primary government so that there is no way to identify which balances relate to the component unit and which relate to the primary government.

There are no blended component units reported in the audited financial statements for the **Township of Sagola**.

**JOINT VENTURES**

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**JOINT VENTURES (Continued)**

An ongoing financial responsibility is determined as a participating government's obligation in some manner for debts or the joint venture's existence depends on continued funding by the participating government.

There are no joint ventures to be reported.

**JOINTLY GOVERNED ORGANIZATIONS**

A jointly governed organization is a multi-governmental arrangement that is governed by representatives from each of the governments that create the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility.

There are no jointly governed organizations to be reported.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**RELATED ORGANIZATIONS**

A related organization is an organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relations) even though the primary government appoints a voting majority of the organization's governing board.

There are no related organizations to be reported.

**BASIS OF PRESENTATION**

The Township follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 adds the following components to the financial statements:

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Management's Discussion and Analysis***

A narrative introduction and analytical overview of the government's financial activities. This analysis is similar to analysis the private sector provides in their annual reports.

***Government-wide financial statements***

These include financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt).

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Government-wide financial statements (Continued)***

Annual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statements include the Statement of Net Assets and the Statement of Program Activities.

***Statement of Net Assets***

The Statement of Net Assets displays the financial position of the primary government (government and business-type activities).

Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expenses - the cost of "using up" capital assets - in the Statement of Activities.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

***Statement of Net Assets (Continued)***

The net assets of a government are broken down into three categories - 1) invested in capital assets, net of related debt; 2) reserved; and 3) unreserved.

***Statement of Program Activities***

The statement of program activities reports expenses and revenues in a format that focuses on the cost of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

***Budgetary comparison schedule***

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

***Budgetary comparison schedules (Continued)***

Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Township and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the Township as a whole) and fund financial statements.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The reporting model focus is on both the Township as a whole and the fund financial statements, including the major individual funds of governmental and business-type categories, as well as the fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Both governmental-wide and fund financial statement presentations provide valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the financial information.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The Township generally uses restricted assets first for expenses incurred for which both restricted and unrestricted assets are available. The Township may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions.



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Township does not allocate indirect expenses. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants while the capital grants and contributions column reflects capital-specific grants.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

In the fund financial statements, financial transactions and accounts of the Township are organized in the basis of funds.

The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements.

The Township's fiduciary funds are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS (Continued)**

The following is a brief description of the specific funds used by the Township.

**GOVERNMENTAL FUNDS**

These funds are those through which most governmental functions typically are financed.

The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities, except those accounted for in the Proprietary Fund, are accounted for through the Governmental Funds. These funds are as follows:

***General Fund***

This fund is used for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS (Continued)**

***General Fund (Continued)***

Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

For reporting purposes, the General Fund is always considered to be a major fund.

***Special Revenue Funds***

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. The Township's *Liquor, Fire, Recreation, and Road Repair* funds are Special Revenue Funds.

The Fire and Road Repair funds are considered to be major funds for reporting purposes. The Liquor Law Enforcement Fund and the Recreation Fund are considered non-major funds for reporting purposes.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**GOVERNMENTAL FUNDS**

***Debt Service Fund***

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

There is currently no debt service fund for the Township.

***Capital Projects Fund***

These funds are used to account for the purchase and/or construction of capital facilities by a governmental unit which are not accounted for by Proprietary Funds, Special Assessment Funds, or Trust Funds. The various resources of the governmental unit to be used in the projects, such as General Fund contributions, grants from other units of government and bond proceeds, flow into the Capital Project Fund. Expenditures incurred in the development of the facility are also recorded within the Capital Project Fund.

There is currently no capital projects fund for the Township.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPRIETARY FUNDS**

***Enterprise Funds***

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises----where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

The Township's *Sewer Fund* is an Enterprise Fund. It is also a major fund for reporting purposes.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FIDUCIARY FUNDS**

Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity for individuals, private organizations, other governmental units, and/or other funds.

The Township's *Current Tax Collection Fund* is a Fiduciary Fund. Agency funds are custodial in nature and do not involve measurement of results of operations.

Accounting for Expendable Trust funds parallels accounting for governmental funds (modified accrual basis/approximate flow of current financial resources). Pension Trust Funds and Nonexpendable Trust Funds are accounted for in a manner similar to proprietary funds (accrual basis/flow of economic resources).

Currently, the Township has no expendable trust funds.



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statement of net assets and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities, and financial statements of the Proprietary Fund and the Fiduciary Fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants revenue is considered to be measurable and available as revenue when related eligible expenditures are incurred.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**MEASUREMENT FOCUS (Continued)**

Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The local government unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed for accountability purposes only.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**ENCUMBRANCES (Continued)**

It is the Township's policy to honor all unfilled contracts/orders at year-end, but the authority to complete these transactions is provided by the new year's budget appropriations, as unexpended appropriations of the current year lapse at year-end.

**CASH AND CASH EQUIVALENTS**

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

The Township classifies cash on hand, cash on deposit (including certificates of deposit), and highly liquid investments with an original maturity of ninety days or less when purchased as cash in its financial statements.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**INVENTORIES**

Inventories of supplies are expended as received.

**RECEIVABLES**

Accounts which will be collected within sixty days of year-end are accrued as accounts receivable in the General and Special Revenue Funds. User charges for the Proprietary Fund are recorded as receivable when billed. On an annual basis the charges are reviewed for collectibility. Those deemed uncollectible are assigned to the tax roll.

**INTEREST RECEIVABLE**

Interest on certificates of deposit is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**DUE TO/FROM OTHER FUNDS**

Transactions between funds that had not been paid or received as of fiscal year end have been recorded as inter-fund accounts receivable and payable in the financial statements. These inter-fund receivables and payables do not represent Board-approved loans between funds.

**DEFERRED REVENUE**

Deferred revenue represents amounts under the modified accrual basis of accounting for which asset recognition criteria have been met but for which revenue recognition criteria have not been met, whereby such amounts are measurable but not considered currently available resources.

**FUND EQUITY**

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances represent the amount that has been legally identified for specific purposes.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**FUND EQUITY (Continued)**

Designated fund balances represent amounts earmarked by the Township for future expenditures.

Unreserved retained earnings represent net assets available for future operations or distribution. Reserved retained earnings represent net assets that have been legally identified for specific purposes. Designated retained earnings represent amounts earmarked by the Township for future expenditures.

**RESERVED FUND BALANCES**

The fund balance of the *Fire Fund* is reserved to provide fire protection services.

The fund balance in the *Recreation Fund* is reserved for recreation.

The fund balance in the *Road Fund* is reserved for road repair.

The fund balance in the *Liquor Law Enforcement Fund* is reserved for liquor law enforcement.



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**RESERVED FUND BALANCES (Continued)**

Retained earnings in the Sewer Fund is reserved for sewer repairs and improvements.

**BUDGETS AND BUDGETARY ACCOUNTING**

The Township follows the State of Michigan Uniform Budgeting and Accounting Act for budgeting procedures. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. Unexpended appropriations lapse at fiscal year-end.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to March 31 of the preceding fiscal year, the Township prepares a budget for the next fiscal year beginning April 01. The operating budget includes proposed expenditures and the means of financing them.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**BUDGETS AND BUDGETARY ACCOUNTING  
(Continued)**

2. A meeting of the Township Board is then called for the purpose of adopting the proposed budget after sufficient public notice of the meeting has been given.
3. Prior to April 01, the budget is legally enacted through passage of a resolution by the members of the Township Board.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Township Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX**

Property taxes are levied on December 31 of the preceding year, and are payable on December 01. They are considered delinquent and become a lien the following March 01. Property tax revenues are recognized in the fiscal year for which they have been levied and become available. The Township bills and collects its own property taxes and also collects taxes for the County and several school districts within its jurisdiction. Collections and remittances of the county and school taxes are accounted for in the Current Tax Collection Fund (The Trust and Agency Fund).

The delinquent real property taxes of the Township are purchased by the County of Dickinson during the second quarter of each year with proceeds from the sale of tax notes, resulting in total collection of real property taxes each year. Delinquent personal property taxes are recorded as receivable if considered to be collectible within 60 days of year-end.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**PROPERTY TAX (Continued)**

During the fiscal year ended March 31, 2006, the Township properties had a taxable value of \$ 46,338,706, on which was levied 1.3458 mills to finance general operations, .9991 mill for fire protection, and 1.0000 mill to finance ambulance services.

In addition, the Sawyer Lake residents will be assessed an annual special assessment for a period of 5 years to offset the cost of the treatment of a weevil infestation on Sawyer Lake.

**NON-MONETARY TRANSACTIONS**

The Single Audit Act of 1984, as amended, and OMB Circular A-133 defines federal financial assistance to include both monetary and non-monetary forms of assistance provided by or passed down from a federal agency, such as grants, contracts, loans, loan guarantees, property, etc.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS**

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds (when applicable) and as assets in the governmental-wide statements to the extent the Township's capitalization threshold of \$ 500 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

**Buildings..... 20 - 30 years**

**Infrastructure..... 10 - 65 years**

**Furniture and Other**

**Equipment..... 5 - 20 years**

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

To the extent the Township's capitalization threshold of \$500 is met, capital outlays of the Proprietary Funds are recorded as fixed assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the governmental-wide basis using the straight-line method and the following estimated useful lives:

**Land Improvements..... 20 years**

**Equipment..... 5 - 20 years**

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**CAPITAL ASSETS (Continued)**

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, is eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

**COMPENSATED ABSENCES**

The Township has no employees eligible to accrue vacation or sick pay.

**POST EMPLOYMENT BENEFITS**

The Township offers no post-employment benefits.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BASIS OF PRESENTATION (Continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - INTERFUND ACTIVITIES**

**INTERFUND RECEIVABLES AND PAYABLES**

Inter-fund receivables and payables do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE B - INTERFUND ACTIVITIES (CONTINUED)**

The amounts of the inter-fund receivables and payables as of March 31, 2006 were as follows:

<u><b>Fund</b></u>	<u><b>Inter-fund Receivable</b></u>	<u><b>Inter-fund Payable</b></u>
General	\$ 93779	\$ 7040
Trust and Agency	0	126196
Fire	42822	15211
Sewer	8191	499
Liquor Law	0	46
Recreation	<u>4200</u>	<u>0</u>
<b>Totals</b>	<b>\$ <u>148992</u></b>	<b>\$ <u>148992</u></b>

The above amounts do not represent inter-fund borrowings; instead, they represent actual amounts which are pending between funds at year-end due to the timing of cash flows. Generally, these amounts clear shortly after year-end when resources become available.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE B – INTERFUND ACTIVITIES (CONTINUED)**

**OPERATING TRANSFERS**

Inter-fund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.

During the current fiscal year, the General Fund transferred \$15,000 to the Road Fund for road repair, and \$ 4,000 to the Recreation Fund for recreation.

**OTHER FINANCING SOURCES (USES)**

The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C – CASH, DEPOSITS, AND INVESTMENTS**

**PRIMARY GOVERNMENT**

On March 31, 2006, the carrying value of the Township's deposits (Primary Government) was \$ 827,844 and is comprised of cash and deposits reflected in the following funds:

***Governmental Funds***

General Fund	\$ 433005
Liquor Law Enforcement Fund	8099
Fire Fund	26478
Recreation Fund	2383
Road Fund	<u>35154</u>
<b><i>Total Governmental Funds</i></b>	<b>\$ 505119</b>

(Continued on page 75)

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT (Continued)**

(Continued from previous page)

<i><b>Enterprise Funds</b></i>	<b>\$</b>	
Sewer Fund		<u>88771</u>
<i><b>Total Enterprise Funds</b></i>	<b>\$</b>	<b>88771</b>
<i><b>Fiduciary Funds</b></i>		
Tax Collection Fund		<u>233954</u>
<i><b>Total Fiduciary Funds</b></i>	<b>\$</b>	<b>233954</b>
<b>Total Primary Government</b>	<b>\$</b>	<b>827844</b>

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the local unit's cash deposits classifies cash according to three levels of risk.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

The three levels of risk are as follows:

**Category 1**

Deposits which are insured or collateralized with securities held by the Township or its agent in the Township's name.

**Category 2**

Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

**Category 3**

Deposits which are not collateralized or insured.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

Based on these levels of risk, the Township's cash deposits  
(Primary Government) are classified as follows:

**SCHEDULE OF CASH AND DEPOSITS**

**PRIMARY GOVERNMENT**

	<b><u>Category 1</u></b>	<b><u>Category 2</u></b>	<b><u>Category 3</u></b>	<b><u>Totals</u></b>
Cash and Deposits	\$ 100000	\$ -0-	\$ 727844	\$ 827844

**INVESTMENTS**

The Township's investments are categorized below to give an  
indication of the level of risk assumed at year-end.

**Category 1** includes investments that are insured or  
registered or for which the securities are held by the  
Township or its agent in the Township's name.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**INVESTMENTS (Continued)**

**Category 2** includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's safekeeping department or agent in the Township's name.

**Category 3** includes uninsured and registered investments for which the securities are held by the broker or dealer, or by its safekeeping department or agent, but not in the Township's name.

There are no investments for the Township, as reflected below:

<u>Investment Type</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value</u>	<u>Market Value</u>
	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<b>Total Investments</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY**

Act 196, PA 1997, authorizes the Township to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.



<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C – CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers acceptance of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1950 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE C - CASH, DEPOSITS, AND INVESTMENTS (CONTINUED)**

**STATUTORY AUTHORITY (Continued)**

The Township has adopted an investment policy, allowing for all types of deposits and investments listed above. The Township's deposits and investments are in compliance with its investment policy.

**NOTE D - PENSION PLAN**

**DESCRIPTION OF PLAN AND PLAN ASSETS**

The Township maintains a fully funded pension plan for its full-time employees and trustees through Manu-life Financial. The contribution for the year ended March 31, 2006 was \$ 3,000, of which \$ 750 was contributed through payroll withholding. The plan is fully funded by annuity contracts. On the most recent statement prepared, as of December 2005, the value of the account was \$ 23,259.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE E - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

**BUDGET VIOLATIONS**

P.A. 621 of 1978, SECTION 18 (1), as amended, provides a local unit shall not incur expenditures in excess of the amounts appropriated.

The **Township of Sagola**'s actual expenditures and budgeted expenditures for the funds budgeted have been shown on an activity basis. The approved budgets of the **Township of Sagola** were adopted at the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

The total actual 2005-2006 expenditures for the following activities (cost centers) exceeded the amended budget allocations by a total of \$ 18,930 contrary to the provisions of Section 17 of Public Act 621 of 1978, the "Uniform Budgeting and Accounting Act".

<u>Activity (Cost Center)</u>	<u>Actual</u>	<u>Budget</u>	<u>Over Expenditures</u>
Recreation Fund	\$ 22934	\$ 4004	\$ 18930

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE F - ACCUMULATED FUND DEFICITS**

At March 31, 2006, the Township had no fund balance/retained earnings deficit in any fund.

**NOTE G - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

**NOTE H - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended March 31, 2006:

**TOWNSHIP OF SAGOLA**

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

	Balance March 31, 2005	Increases	Decreases	Balance March 31, 2006
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
<b><u>Capital Assets Not Being Depreciated</u></b>	\$	\$	\$	\$
Land and Land Improvements	85641	0	0	85641
<b>Total Capital Assets Not Being Depreciated</b>	\$ 85641	\$ 0	\$ 0	\$ 85641
<b><u>Other Capital Assets</u></b>				
Buildings	178318	0	0	178318
Furniture & Other Equip.	590119	2126	0	592245
<b>Total Other Cap. Assets</b>	\$ 768437	\$ 2126	\$ 0	\$ 770563
<b><u>Less Accumulated Depreciation for:</u></b>				
Buildings	(134432)	(1437)	0	(135869)
Furniture & Other Equip.	(315114)	(30002)	0	(345116)
<b>Total Accum. Depreciation</b>	(449546)	(31439)	0	(480985)
Other Capital Assets, Net	318891	(29313)	0	289578
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	\$ <u>404532</u>	\$ <u>(29313)</u>	\$ <u>0</u>	\$ <u>375219</u>

Depreciation was charged to governmental functions as  
unallocated.

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended March 31, 2006:

	<u>Balance March 31, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance March 31, 2006</u>
<b><u>BUSINESS-TYPE ACTIVITIES</u></b>				
<b><u>Capital Assets Not Being Depreciated:</u></b>				
Land, Easements and Right-of-Way	\$ 0	\$ 0	\$ 0	\$ 0
<b><u>Other Capital Assets:</u></b>				
Machinery and Equipment	13321	1208	0	14529
Sewer Mains/Lines	<u>1737508</u>	<u>0</u>	<u>0</u>	<u>1737508</u>
<b>Total Capital Assets</b>	<b>\$ 1750829</b>	<b>\$ 1208</b>	<b>\$ 0</b>	<b>\$ 1752037</b>

(Continued on page 86)

<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE H - CAPITAL ASSETS (CONTINUED)**

**BUSINESS-TYPE ACTIVITIES (Continued)**

(Continued from previous page)

	<u>Balance March 31, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance March 31, 2006</u>
<b>Less Accumulated Depreciation for:</b>				
Machinery and Equipment	\$ (2343)	\$ (1989)	\$ 0	\$ (4332)
Sewer Mains/Lines	<u>(775463)</u>	<u>(43438)</u>	<u>0</u>	<u>(818901)</u>
<b>Total Accumulated Depreciation</b>	<u>(777806)</u>	<u>(45427)</u>	<u>0</u>	<u>(823233)</u>
 <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	 \$ <u>973023</u>	 \$ <u>(44219)</u>	 \$ <u>0</u>	 \$ <u>928804</u>

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE I - SEGMENT INFORMATION - Enterprise Fund**

	<b><u>Sewer Fund</u></b>
Operating Revenues	\$ 40668
Depreciation and Amortization Expense	45427
Operating Income or (Loss)	(22378)
Operating Grants, Entitlements, and Shared Revenues	0
Operating Transfers	
In	0
(Out)	0
Tax Revenues	0
Net Income or Loss	(21491)
Current Capital:	
Contributions	0
Transfers	0
Property, Plant, and Equipment	
Additions	1208
Deletions	0

(Continued on page 88)



<b>TOWNSHIP OF SAGOLA</b>
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**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE I - SEGMENT INFORMATION - Enterprise Fund (CONTINUED)**

(Continued from previous page)

	<b><u>Sewer Fund</u></b>
Net Working Capital	\$ 99779
Total Assets	1032386
Bonds and Other Long Term Liabilities	
Payable from operating Revenues	0
Payable from Other Sources	0
Total Equity	\$ 1028583

**NOTE J - RELATED PARTY TRANSACTIONS**

*Related parties* exist when there is a relationship that offers potential for transactions at less than arm's length, favorable treatment, or the ability to influence the outcome of events differently from that which might result in the absence of that relationship.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE J - RELATED PARTY TRANSACTIONS (CONTINUED)**

Financial statements must include disclosure of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.

On this basis, there are no related party transactions reported in the financial statements.

**NOTE K - SUBSEQUENT EVENTS**

Subsequent events have a material effect on the financial statements which requires adjustment or disclosure.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**NOTES TO THE FINANCIAL STATEMENTS  
(CONTINUED)**

*MARCH 31, 2006*

**NOTE K - SUBSEQUENT EVENTS (CONTINUED)**

They relate to events that provide additional evidence with respect to conditions that existed at the date of the balance sheet and events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date.

At fiscal year ended March 31, 2006, there were no subsequent events that would have a significant affect on the Township's operations.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

There are no commitments or contingencies to be reported For the **Township of Sagola** for the fiscal year ended March 31, 2006.

## **REQUIRED SUPPLEMENTAL INFORMATION**

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BUDGETARY COMPARISION SCHEDULE – GENERAL FUND**

*YEAR ENDED MARCH 31, 2006*

<u><b>REVENUES</b></u>	<u><b>ORIGINAL BUDGET</b></u>	<u><b>FINAL AMENDED BUDGET</b></u>	<u><b>ACTUAL</b></u>
General Property Taxes	\$ 45,000	\$ 45,000	\$ 62,364
Other Local Taxes	48,408	48,408	55,421
Licenses, Permits, and Fees	996	996	1,307
Sale of Property	-	-	-
Use of Money and Property	7,004	6,804	8,040
Charges for Services - Tax Collection	3,200	3,200	4,527
Charges for Services - Garbage Collection	15,000	15,000	21,692
Cemetary Revenue	1,800	400	450
Miscellaneous	896	798	1,908
Intergovernmental	<u>70,000</u>	<u>70,000</u>	<u>79,629</u>
<b>TOTAL REVENUES</b>	<b>\$192,304</b>	<b>\$190,606</b>	<b>\$235,338</b>
 <u><b>EXPENDITURES</b></u>			
General Government	72,434	71,440	55,672
Legislative	75,760	61,836	44,126
Township Property	70,560	73,630	41,971
Cemetary	13,748	13,155	3,345
Sanitation and Health	44,360	46,000	40,267
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>276,862</b>	<b>266,061</b>	<b>185,381</b>
 <u><b>OTHER FINANCING SOURCES (USES)</b></u>			
Transfers In	-	-	-
Transfers (Out)	<u>(34,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(34,000)</b>	<b>(19,000)</b>	<b>(19,000)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(118,558)</b>	<b>(94,455)</b>	<b>30,957</b>
<b>FUND BALANCE, APRIL 01</b>	<b><u>496,124</u></b>	<b><u>496,124</u></b>	<b><u>496,124</u></b>
<b>FUND BALANCE, MARCH 31</b>	<b><u><u>\$377,566</u></u></b>	<b><u><u>\$401,669</u></u></b>	<b><u><u>\$527,081</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BUDGETARY COMPARISION SCHEDULE – FIRE FUND**

*YEAR ENDED MARCH 31, 2006*

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUES</u></b>			
General Property Taxes	\$ 33,000	\$ 39,000	\$ 47,981
Charges for Services	204	204	200
Use of Money and Property	-	-	23
Intergovernmental	-	-	-
Miscellaneous	<u>50</u>	<u>50</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b>\$ 33,254</b>	<b>\$ 39,254</b>	<b>\$ 48,204</b>
<b><u>EXPENDITURES</u></b>			
Public Safety	24,960	25,856	20,213
Capital Outlay	<u>5,500</u>	<u>5,500</u>	<u>2,126</u>
<b>TOTAL EXPENDITURES</b>	<b>30,460</b>	<b>31,356</b>	<b>22,339</b>
NET CHANGE IN FUND BALANCE	2,794	7,898	25,865
FUND BALANCE, APRIL 01	<u>31,700</u>	<u>31,700</u>	<u>31,700</u>
<b>FUND BALANCE, MARCH 31</b>	<b><u><u>\$ 34,494</u></u></b>	<b><u><u>\$ 39,598</u></u></b>	<b><u><u>\$ 57,565</u></u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BUDGETARY COMPARISION SCHEDULE – ROAD FUND**

*YEAR ENDED MARCH 31, 2006*

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>
<b><u>REVENUES</u></b>			
Intergovernmental	\$ 7,000	\$ 7,000	\$ -
Use of Money and Property	<u>200</u>	<u>200</u>	<u>105</u>
<b>TOTAL REVENUES</b>	<b>7,200</b>	<b>7,200</b>	<b>105</b>
<b><u>EXPENDITURES</u></b>			
Public Works	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b>40,000</b>	<b>40,000</b>	<b>-</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In	<u>30,000</u>	<u>30,000</u>	<u>15,000</u>
NET CHANGE IN FUND BALANCE	(2,800)	(2,800)	15,105
FUND BALANCE, APRIL 01	<u>12,188</u>	<u>12,188</u>	<u>12,188</u>
<b>FUND BALANCE, MARCH 31</b>	<b><u>\$ 9,388</u></b>	<b><u>\$ 9,388</u></b>	<b><u>\$ 27,293</u></b>

The notes to the financial statements are an integral part of this report.

## **OTHER SUPPLEMENTAL INFORMATION**



<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS**

*MARCH 31, 2006*

	<u>Liquor Law Enforcement Fund</u>	<u>Recreation Fund</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Cash and Investments (Note C )	\$ 8,099	\$ 2,383	\$ 10,482
Taxes Receivable	-	900	900
Due from Other Funds	-	4,200	4,200
<b>TOTAL ASSETS</b>	<b><u>\$ 8,099</u></b>	<b><u>\$ 7,483</u></b>	<b><u>\$ 15,582</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>LIABILITIES</u></b>			
Due to Other Funds	46	-	46
<b>TOTAL LIABILITIES</b>	<b>46</b>	<b>-</b>	<b>46</b>
<b><u>FUND BALANCE</u></b>			
Reserved for Liquor Law Enforcement	8,053		8,053
Reserved for Recreation		7,483	7,483
<b>TOTAL FUND BALANCE</b>	<b>8,053</b>	<b>7,483</b>	<b>15,536</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 8,099</u></b>	<b><u>\$ 7,483</u></b>	<b><u>\$ 15,582</u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- NON-  
MAJOR GOVERNMENTAL FUNDS**

*MARCH 31, 2006*

	<u>Liquor Law Enforcement Fund</u>	<u>Recreation Fund</u>	<u>Totals</u>
<b><u>Revenue</u></b>			
Property taxes	\$ -	\$ 24,000	\$ 24,000
Intergovernmental	1,911		1,911
Interest	-	108	108
	<u>1,911</u>	<u>24,108</u>	<u>26,019</u>
<b>Total Revenue</b>	<b>1,911</b>	<b>24,108</b>	<b>26,019</b>
<b><u>Expenditures</u></b>			
Current:			
Public safety	1,553		1,553
Recreation and cultural		22,934	22,934
Capital outlay	-		-
	<u>1,553</u>	<u>22,934</u>	<u>24,487</u>
<b>Total Expenditures</b>	<b>1,553</b>	<b>22,934</b>	<b>24,487</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>358</b>	<b>1,174</b>	<b>1,532</b>
Other Financing Sources (Uses)			
Operating transfers in	-	4,000	4,000
	<u>-</u>	<u>4,000</u>	<u>4,000</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	358	5,174	5,532
	<u>358</u>	<u>5,174</u>	<u>5,532</u>
<b>Fund Balances - Beginning of Year</b>	<b>7,695</b>	<b>2,309</b>	<b>10,004</b>
	<u>7,695</u>	<u>2,309</u>	<u>10,004</u>
<b>Fund Balances - End of Year</b>	<b>\$ 8,053</b>	<b>\$ 7,483</b>	<b>\$ 15,536</b>
	<u><u>\$ 8,053</u></u>	<u><u>\$ 7,483</u></u>	<u><u>\$ 15,536</u></u>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS**

*MARCH 31, 2006*

<u><b>ASSETS</b></u>	<u><b>LIQUOR</b></u>	<u><b>FIRE</b></u>	<u><b>RECREATION</b></u>	<u><b>ROAD REPAIR</b></u>	<u><b>TOTALS</b></u>	
					March 31,	
					<u><b>2006</b></u>	<u><b>2005</b></u>
Cash and Deposits	\$ 8,099	\$ 26,478	\$ 2,383	\$ 35,154	\$ 72,114	\$ 26,190
Taxes Receivable	-	3,476	900	-	4,376	5,224
Due from Other Funds	-	42,822	4,200	-	47,022	37,735
<b>TOTAL ASSETS</b>	<u><b>\$ 8,099</b></u>	<u><b>\$ 72,776</b></u>	<u><b>\$ 7,483</b></u>	<u><b>\$ 35,154</b></u>	<u><b>\$123,512</b></u>	<u><b>\$ 69,149</b></u>
 <u><b>LIABILITIES AND FUND EQUITY</b></u>						
<u><b>LIABILITIES</b></u>						
Due to Other Funds	46	15,211	-	-	15,257	15,257
Deferred Revenue	-	-	-	7,861	7,861	-
<b>TOTAL LIABILITIES</b>	46	15,211	-	7,861	23,118	15,257
 <u><b>FUND EQUITY</b></u>						
Fund Balances - Reserved	8,053	57,565	7,483	27,293	100,394	53,892
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 8,145</b></u>	<u><b>\$ 87,987</b></u>	<u><b>\$ 7,483</b></u>	<u><b>\$ 43,015</b></u>	<u><b>\$123,512</b></u>	<u><b>\$ 69,149</b></u>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCE -ALL SPECIAL REVENUE FUNDS**

*FISCAL YEAR ENDED MARCH 31, 2006*

<u>REVENUES</u>	<u>LIQUOR</u>	<u>FIRE</u>	<u>RECREATION</u>	<u>ROAD REPAIR</u>	<u>TOTALS</u>	
					<u>MARCH 31,</u>	<u>2006</u>
					<u>2005</u>	
Taxes	\$ -	\$ 47,981	\$ 24,000		\$ 71,981	\$ 66,064
State Sources	1,911				1,911	5,966
Federal Sources		-			-	750
Charges for Services		200			200	200
Interest Income		23	108	105	236	720
Other		-			-	50
<b>TOTAL REVENUES</b>	<b>1,911</b>	<b>48,204</b>	<b>24,108</b>	<b>105</b>	<b>74,328</b>	<b>73,750</b>
 <u>EXPENDITURES</u>						
Public Safety	1,553	20,213			21,766	18,905
Public Works				-	-	96,883
Recreation and Cultural			22,934		22,934	25,736
Capital Outlay		2,126	-		2,126	227,300
<b>TOTAL EXPENDITURES</b>	<b>1,553</b>	<b>22,339</b>	<b>22,934</b>	<b>-</b>	<b>46,826</b>	<b>368,824</b>
Excess of Revenues Over (Under) Expenditures	358	25,865	1,174	105	27,502	(295,074)
Other Financing Sources (Uses)						
Transfers In			4,000	15,000	19,000	62,300
Transfers Out						
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	358	25,865	5,174	15,105	46,502	(232,774)
FUND EQUITY, APRIL 1	7,695	31,700	2,309	12,188	53,892	286,666
<b>FUND EQUITY, MARCH 31</b>	<b>\$ 8,053</b>	<b>\$ 57,565</b>	<b>\$ 7,483</b>	<b>\$ 27,293</b>	<b>\$100,394</b>	<b>\$ 53,892</b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
---------------------------

**BALANCE SHEET – GENERAL FUND***MARCH 31, 2006***ASSETS**

Cash and Deposits, Unrestricted	\$199,492
Cash and Deposits, Restricted	233,513
Receivables -	
Taxes	5,159
Accounts	170
Inventory	2,008
Due from Other Funds	<u>93,779</u>
<b>TOTAL ASSETS</b>	<b><u>\$534,121</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Accounts Payable	-
Due to Other Funds	<u>7,040</u>
<b>TOTAL LIABILITIES</b>	<b>7,040</b>

**FUND EQUITY**

Fund Balance -	
Reserved	-
Unreserved	<u>527,081</u>
<b>TOTAL FUND EQUITY</b>	<b>527,081</b>

<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$534,121</u></b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF REVENUES – GENERAL FUND  
ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
<b><u>Taxes</u></b>			
Property Taxes	\$ 62,364	\$ -	\$ -
Administration Fees	17,829		
Other Taxes	<u>37,592</u>	<u>          </u>	<u>          </u>
<b>Total Taxes</b>	<b>117,785</b>	<b>93,408</b>	<b>24,377</b>
<b><u>State Shared Receipts</u></b>	<u>79,629</u>	<u>          </u>	<u>          </u>
<b>Total State Shared Receipts</b>	<b>79,629</b>	<b>70,000</b>	<b>9,629</b>
<b><u>Charges for Services</u></b>			
Tax Collection	4,527	-	-
Garbage Fees	<u>21,692</u>	<u>          </u>	<u>          </u>
<b>Total Charges for Services</b>	<b>26,219</b>	<b>18,200</b>	<b>8,019</b>
<b><u>Interest and Rentals</u></b>			
Interest	6,740	-	-
Rental -			
Community Building	100		
Tower	<u>1,200</u>	<u>          </u>	<u>          </u>
<b>Total Interest and Rentals</b>	<b>8,040</b>	<b>6,804</b>	<b>1,236</b>
<b><u>Cemetery</u></b>	<u>450</u>	<u>          </u>	<u>          </u>
<b>Total Cemetery</b>	<b>450</b>	<b>400</b>	<b>50</b>
<b><u>Other Revenue</u></b>			
Refunds	1,527	-	-
Zoning Fees	1,307		
Other	<u>381</u>	<u>          </u>	<u>          </u>
<b>Total Other Revenue</b>	<b>3,215</b>	<b>1,794</b>	<b>1,421</b>
<b>TOTAL REVENUES</b>	<b><u>\$235,338</u></b>	<b><u>\$190,606</u></b>	<b><u>\$ 44,732</u></b>

The notes to the financial statements are integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF EXPENDITURES – GENERAL FUND**  
**ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>LEGISLATIVE</u></b>			
<b>Township Board</b>			
Salaries	\$ 6,176	\$ -	\$ -
Fringe Benefits	301		
Health Insurance	2,560		
Life Insurance	58		
Pension Plan	2,706		
Audit	5,292		
Legal Services	750		
Mileage	213		
Printing and Publishing	641		
Liability Insurance	9,742		
Supplies	1,719		
Community Promotion	1,593		
Education and Training	100		
Dues	2,106		
Utilities	8,428		
Miscellaneous	1,741		
	<hr/>	<hr/>	<hr/>
<b>Total Township Board</b>	<b>44,126</b>	<b>61,836</b>	<b>17,710</b>
	<hr/>	<hr/>	<hr/>
<b>TOTAL LEGISLATIVE</b>	<b>\$ 44,126</b>	<b>\$ 61,836</b>	<b>\$ 17,710</b>
	<hr/>	<hr/>	<hr/>
<b><u>GENERAL GOVERNMENT</u></b>			
<b>Supervisor</b>			
Salaries	6,000	-	-
Fringe Benefits	459		
Miscellaneous	6		
	<hr/>	<hr/>	<hr/>
<b>Total Supervisor</b>	<b>6,465</b>	<b>7,935</b>	<b>1,470</b>
	<hr/>	<hr/>	<hr/>
<b>Assessor</b>			
Office Supplies	624	-	-
Contract Services	17,100		
	<hr/>	<hr/>	<hr/>
<b>Total Assessor</b>	<b>17,724</b>	<b>22,650</b>	<b>4,926</b>
	<hr/>	<hr/>	<hr/>
<b>Elections</b>			
Salaries	1,346	-	-
Mileage	119		
Miscellaneous	56		
	<hr/>	<hr/>	<hr/>
<b>Total Elections</b>	<b>\$ 1,521</b>	<b>\$ 2,406</b>	<b>\$ 885</b>
	<hr/>	<hr/>	<hr/>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF EXPENDITURES – GENERAL FUND  
ACTUAL AND BUDGET**

(Continued)

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>GENERAL GOVERNMENT (Continued)</b>			
<b>Clerk</b>			
Salaries	\$ 10,260	\$ -	\$ -
Fringe Benefits	785		
Office Supplies	1,235		
Mileage	35		
Miscellaneous	-		
	<hr/>	<hr/>	<hr/>
<b>Total Clerk</b>	<b>12,315</b>	<b>13,105</b>	<b>790</b>
<b>Treasurer</b>			
Salaries	10,260	-	-
Fringe Benefits	785		
Office Supplies	1,956		
Mileage	16		
Miscellaneous	-		
	<hr/>	<hr/>	<hr/>
<b>Total Treasurer</b>	<b>13,017</b>	<b>15,751</b>	<b>2,734</b>
<b>Board of Review</b>			
Salaries	460	-	-
Fringe Benefits	35		
Office Supplies	30		
Mileage	25		
Miscellaneous	30		
	<hr/>	<hr/>	<hr/>
<b>Total Board of Review</b>	<b>580</b>	<b>2,504</b>	<b>1,924</b>
<b>Zoning Board</b>			
Salaries	2,913	-	-
Fringe Benefits	223		
Publishing/Printing	424		
Office Supplies	135		
Mileage	55		
Miscellaneous	-		
	<hr/>	<hr/>	<hr/>
<b>Total Zoning Board</b>	<b>3,750</b>	<b>6,689</b>	<b>2,939</b>
<b>Enforcement Officer</b>			
Contract Services	300	-	-
Miscellaneous	-		
	<hr/>	<hr/>	<hr/>
<b>Total Enforcement Officer</b>	<b>300</b>	<b>400</b>	<b>100</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$ 55,672</b>	<b>\$ 71,440</b>	<b>\$ 15,768</b>

The notes to the financial statements are an integral part of this report.



<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF EXPENDITURES – GENERAL FUND**  
**ACTUAL AND BUDGET**  
**(Continued)**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>TOWNSHIP PROPERTY</u></b>			
<b>Township Hall</b>			
Salaries	\$ 21,436	\$ -	\$ -
Fringe Benefits	1,640		
Office Supplies	-		
Repairs and Maintenance	4,228		
Utilities	8,989		
Monthly Sewer Fees	552		
Contracted Services	842		
Miscellaneous	178		
Operating Supplies	<u>4,106</u>		
<b>Total Township Hall</b>	<b>41,971</b>	<b>73,630</b>	<b>31,659</b>
<b>TOTAL TOWNSHIP PROPERTY</b>	<b>\$ 41,971</b>	<b>\$ 73,630</b>	<b>\$ 31,659</b>
<b><u>CEMETERY</u></b>			
Salaries	1,688	-	-
Fringe Benefits	129		
Repairs and Maintenance	15		
Miscellaneous	50		
Contracted Services	<u>1,463</u>		
<b>TOTAL CEMETERY</b>	<b>\$ 3,345</b>	<b>\$ 13,155</b>	<b>\$ 9,810</b>
<b><u>SANITATION AND HEALTH</u></b>			
Contracted Services	38,302	-	-
Mileage	262		
Supplies	1,703		
Printing and Publishing	-		
Miscellaneous	<u>-</u>		
<b>TOTAL SANITATION AND HEALTH</b>	<b>\$ 40,267</b>	<b>\$ 46,000</b>	<b>\$ 5,733</b>
<b>CAPITAL OUTLAY</b>	-	-	-
<b>TOTAL EXPENDITURES</b>	<b><u>\$185,381</u></b>	<b><u>\$266,061</u></b>	<b><u>\$ 80,680</u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET – LIQUOR LAW ENFORCEMENT FUND**

*MARCH 31, 2006*

**ASSETS**

Cash and Deposits	<u>\$ 8,099</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 8,099</u></b>
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**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Due to Other Funds	46
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**FUND EQUITY**

Fund Balance - Reserved for Liquor Law Enforcement	<u>8,053</u>
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<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 8,099</u></b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
LIQUOR LAW ENFORCEMENT FUND**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
<u>State Sources</u>			
Grant	\$ 1,911	\$ 1,800	\$ 111
<b>TOTAL REVENUES</b>	<b>\$ 1,911</b>	<b>\$ 1,800</b>	<b>\$ 111</b>
<b><u>EXPENDITURES</u></b>			
<u>Public Safety</u>			
Salaries	-	-	-
Fringe Benefits	-	60	60
Contract Services	1,260	1,500	240
Mileage	240	240	-
Supplies	53	55	2
Capital Outlay	-	345	345
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,553</b>	<b>\$ 2,200</b>	<b>\$ 647</b>
Excess of Revenues Over (Under) Expenditures	358	(400)	758
Other Financing Sources (Uses) Operating Transfers In	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	358	(400)	758
FUND EQUITY, APRIL 1	7,695		
<b>FUND EQUITY, MARCH 31</b>	<b>\$ 8,053</b>		

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET – FIRE FUND***MARCH 31, 2006***ASSETS**

Cash and Deposits	\$ 26,478
Delinquent Taxes Receivable	3,476
Due from Other Funds	<u>42,822</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 72,776</u></b>

**LIABILITIES AND FUND EQUITY****LIABILITIES**

Due to Other Funds	15,211
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**FUND EQUITY**

Fund Balance - Reserved for Fire Protection	<u>57,565</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 72,776</u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
FIRE FUND**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
<u>Local Sources</u>			
Taxes	\$ 47,981	\$ 39,000	\$ 8,981
Charges for Services	200	204	(4)
Interest Income	23	-	23
Other Income	<u>-</u>	<u>50</u>	<u>(50)</u>
 <b>TOTAL REVENUES</b>	 <b>\$ 48,204</b>	 <b>\$ 39,254</b>	 <b>\$ 8,950</b>
 <b><u>EXPENDITURES</u></b>			
<u>Public Safety</u>			
Salaries	1,665	2,200	535
Fringe Benefits	127	200	73
Office Expense	-	96	96
Supplies	1,933	3,500	1,567
Repairs and Maintenance	1,791	2,256	465
Utilities	3,698	4,800	1,102
Insurance	10,170	10,500	330
Travel	205	504	299
Contract Services	-	504	504
Education and Training	-	504	504
Other	624	792	168
Capital Outlay	<u>2,126</u>	<u>5,500</u>	<u>3,374</u>
 <b>TOTAL EXPENDITURES</b>	 <b><u>\$ 22,339</u></b>	 <b><u>\$ 31,356</u></b>	 <b><u>\$ 9,017</u></b>
 Excess of Revenues Over (Under) Expenditures	 25,865	 7,898	 17,967
 Other Financing Sources (Uses) Operating Transfers In	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 25,865	 7,898	 17,967
 FUND EQUITY, APRIL 1	 <u>31,700</u>		
 FUND EQUITY, MARCH 31	 <u><u>\$ 57,565</u></u>		

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET – RECREATION FUND**

*MARCH 31, 2006*

**ASSETS**

Cash and Deposits	\$ 2,383
Taxes Receivable	900
Due from Other Funds	<u>4,200</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,483</u></b>

**FUND EQUITY**

Fund Balance - Reserved for Recreation	<u>7,483</u>
<b>TOTAL FUND EQUITY</b>	<b><u>\$ 7,483</u></b>

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
RECREATION FUND  
ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
<u>Local Sources</u>			
Taxes - Special Assessment	\$ 24,000	\$ -	\$ 24,000
Interest Income	<u>108</u>	<u>-</u>	<u>108</u>
<b>TOTAL REVENUES</b>	<b>\$ 24,108</b>	<b>\$ -</b>	<b>\$ 24,108</b>
<b><u>EXPENDITURES</u></b>			
<u>Recreation and Cultural</u>			
Utilities	180	204	24
Repair and Maintenance	-	2,400	2,400
Professional Services	21,854	-	(21,854)
Supplies	-	-	-
Other	900	400	(500)
Capital Outlay	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,934</b>	<b>\$ 4,004</b>	<b>\$ (18,930)</b>
Excess of Revenues Over (Under) Expenditures	1,174	(4,004)	5,178
<b><u>Other Financing Sources (Uses)</u></b>			
Operating Transfers In (Out)	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,174	(4)	5,178
FUND EQUITY, APRIL 1	<u>2,309</u>		
<b>FUND EQUITY, MARCH 31</b>	<b><u>\$ 7,483</u></b>		

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET – ROAD REPAIR FUND**

*MARCH 31, 2006*

**ASSETS**

Cash and Deposits	<u>\$ 35,154</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 35,154</u></u></b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES**

Deferred Revenue	7,861
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**FUND EQUITY**

Fund Balance - Reserved for Road Repair	<u>27,293</u>
<b>TOTAL FUND EQUITY</b>	<b><u><u>\$ 35,154</u></u></b>

The notes to the financial statements are an integral part of this report.



<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - ROAD  
REPAIR FUND  
ACTUAL AND BUDGET**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>REVENUES</u></b>			
<u>Local Sources</u>			
Interest	\$ 105	\$ 200	\$ (95)
<u>State Sources</u>			
Metro Act	<u>-</u>	<u>7,000</u>	<u>(7,000)</u>
<b>TOTAL REVENUES</b>	<b>\$ 105</b>	<b>\$ 7,200</b>	<b>\$ (7,095)</b>
<b><u>EXPENDITURES</u></b>			
<u>Public Works</u>			
Road Repair	<u>-</u>	<u>40,000</u>	<u>(40,000)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ -</u></b>	<b><u>\$ 40,000</u></b>	<b><u>\$ (40,000)</u></b>
Excess of Revenues Over (Under) Expenditures	105	(32,800)	32,905
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In (Out)	<u>15,000</u>	<u>30,000</u>	<u>(15,000)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	15,105	(2,800)	17,905
FUND EQUITY, APRIL 1	<u>12,188</u>		
<b>FUND EQUITY, MARCH 31</b>	<b><u><u>\$ 27,293</u></u></b>		

The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET - SEWER FUND***MARCH 31, 2006***ASSETS**

Cash and Deposits	\$ 88,771
Accounts Receivable	6,620
Due from Other Funds	8,191
Buildings & Equipment	1,752,037
Accumulated Depreciation	<u>(823,233)</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 1,032,386</u></b>
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**LIABILITIES & FUND EQUITY****LIABILITIES**

Due to Other Funds	499
Deferred Revenue	<u>3,304</u>

<b>TOTAL LIABILITIES</b>	<b>3,803</b>
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**FUND EQUITY**

Retained Earnings	<u>1,028,583</u>
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<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 1,032,386</u></b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**BALANCE SHEET - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
RETAINED EARNINGS -SEWER FUND**

*MARCH 31, 2006*

**OPERATING REVENUES**

Charges for Services	\$ 40,668
Other Revenue	-

<b>TOTAL OPERATING REVENUES</b>	<b>40,668</b>
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**OPERATING EXPENSES**

Salaries	9,110
Fringe Benefits	697
Contract Services	3,651
Supplies	-
Utilities	3,438
Repairs & Maintenance	643
Miscellaneous	80
Depreciation	45,427

<b>TOTAL OPERATING EXPENSES</b>	<b>63,046</b>
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Operating Income (Loss)	(22,378)
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**NON-OPERATING INCOME**

Interest Income	887
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<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>887</b>
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Net Income (Loss)	(21,491)
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<b>RETAINED EARNINGS, APRIL 1</b>	<b>1,050,074</b>
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<b>RETAINED EARNINGS, MARCH 31</b>	<b><u>\$ 1,028,583</u></b>
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The notes to the financial statements are an integral part of this report.

<b>TOWNSHIP OF SAGOLA</b>
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**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - TRUST AND AGENCY FUND**

*FISCAL YEAR ENDED MARCH 31, 2006*

	<u>Balance</u> <u>3/31/2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/2006</u>
<b><u>ASSETS</u></b>				
Cash in Bank - Checking	\$ 166,841	\$1,681,755	\$1,614,642	\$233,954
<b>TOTAL ASSETS</b>	<b><u>\$ 166,841</u></b>	<b><u>\$1,681,755</u></b>	<b><u>\$1,614,642</u></b>	<b><u>\$233,954</u></b>
<b><u>LIABILITIES</u></b>				
Due to Other Funds	112,460	146,918	133,182	126,196
Due to State of Michigan	12,073	12,281	12,177	12,177
Due to North Dickinson School	2,789	771,664	767,865	6,588
Due to ISD	148	93,664	93,238	574
Due to County	546	614,238	569,187	45,597
Due to Star Ambulance	38,825	42,831	38,834	42,822
Due to Other	-	159	159	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 166,841</u></b>	<b><u>\$1,681,755</u></b>	<b><u>\$1,614,642</u></b>	<b><u>\$233,954</u></b>

The notes to the financial statements are an integral part of this report.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
**Township of Sagola**  
Channing, Michigan 48915

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **Township of Sagola**, as of and for the year ended March 31, 2006, which collectively comprise the **Township of Sagola**'s basic financial statements, and have issued our report thereon dated May 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **Township of Sagola**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no such matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Township of Sagola**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters (Continued)

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we have noted certain other matters in a separate letter dated May 19, 2006.

This report is intended for the information and use of the audit committee, management, the Board, and federal awarding agencies and pass-through entities, and it is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Dianne S. Rostagno". The signature is fluid and cursive, with the first name "Dianne" and last name "Rostagno" clearly distinguishable.

Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 19, 2006

# ***DS Rostagno, CPA, P.C.***

***101 West Maple Street, Iron River, MI 49935  
Tel (906) 265-1040 Fax (906) 265-1042***

Members of the Township Board  
**Township of Sagola**  
Channing, Michigan

In planning and performing the audit of the financial statements of the **Township of Sagola**, we considered the Township's internal control structure to plan the auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance in the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated May 19, 2006 on the financial statements of the **Township of Sagola**. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate officials, are intended to improve the internal control structure or result in operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or to assist you in implementing the recommendations. Our comments are summarized as follows:

## **BUDGET VIOLATIONS**

### **Problem**

During the fiscal year ended June 30, 2006, the Township incurred an expenditure which was in excess of the amount appropriated.

### **Recommendation**

It was recommended that closer monitoring be done in regards to budgetary appropriations and expenditures.

It has been a pleasure working with the officials of the Township, and we wish to express our appreciation for their cooperation and assistance during the audit engagement.

Yours very truly,



Dianne S. Rostagno  
DS ROSTAGNO, CPA, P.C.

May 19, 2006